

Subcommittee on Business Development

Report on the Department of Environmental Quality

Chairman - Representative Gary Smith

Members - Lambert, Connick, Schroder, Cortez

The Department of Environmental Quality's mission is to promote and protect the health, safety, and welfare of the people of Louisiana while considering sound policies regarding employment and economic development. DEQ is comprised of five offices: Secretary, Management and Finance, Environmental Compliance, Environmental Services, and Environmental Assessment.

Summary of Committee Meeting

The Appropriations Subcommittee on Business Development met on April 8, 2008 to hear testimony on the budget for the Department of Environmental Quality. Chris Keaton, budget analyst for the House Fiscal Division, presented the budget for the department, including a review of the department's means of finance, explanations of the major sources of revenue from statutory dedications, significant budget changes from FY 07-08 to FY 08-09, budgets for the various DEQ offices, and the position reductions recommended in each of the offices.

Mr. Keaton discussed the Environmental Trust Fund, and told the committee that revenues in this fund are not keeping up with expenditures to the point where prior year balances are being depleted. Mr. Keaton said that fund balances will be exhausted in FY 09-10, and state general fund will have to make up the difference or expenditures will have to be reduced. Future year projections show a \$4 million deficit in FY 09-10 and an annual \$12 million deficit thereafter. Mr. Keaton also talked about the Waste Tire Management Fund, the Hazardous Waste Site Cleanup Fund, and the Motor Fuels Underground Storage Tank Trust Fund.

Deputy Secretary Alexander Appeaning gave an overview of the Department of Environmental Quality. He discussed the four operational areas of the department: Administration, Environmental Compliance, Environmental Services, and Environmental Assessment. He also spoke about the department's 10 point plan. Undersecretary Vince Sagnibene explained that the department received no benefit from the Waste Tire Management Fund, the Hazardous Waste Site Cleanup Fund, and the Motor Fuels Underground Storage Tank Trust Fund, and only served to administer these funds.

Questions

Representative Connick asked how employees were evaluated, and he wanted to know how many DEQ employees were evaluated and how many received merit increases. Undersecretary Vince Sagnibene said that 914 employees were evaluated and 904 received merit increases.

Representative Schroder asked why were the 40 positions vacant. Deputy Secretary Alex Appeaning said that is normal attrition for the department. Representative Schroder wanted to know if agencies used money from vacant positions to fund other items. Mr. Keaton told him that was a practice used in the past, but in the last few years agencies were funded for their continuation items and did not need to use vacant position money to fund other areas.

Representative Cortez asked what the Environmental Trust Fund money was used for. Undersecretary Vince Sagnibene said that the money was used for enforcement, compliance, assessment. It is the funding used by the entire department.

Chairman Gary Smith asked what the department was going to do to address the shortfall in the Environmental Trust Fund. Undersecretary Sagnibene said that the department's fees increased and that the department was looking to streamline operations to save money.

Representative Connick asked what were the top three sites in the state that needed cleaning up? Steve Schutz, Administrator of the Underground Storage Tank Division, said that a site in Ruston and the Calcasieu estuary were priorities. Bo Brock said that cleanup of New Orleans was the number one priority for cleanup. Representative Connick said that a client had a sewer line in 2000 that needed cleaning up and that DEQ gave no assistance or feedback. Dr. Appeaning said that the new administration would be responsive to the public.

Representative Schroder wanted to know about the revolving loan program. Undersecretary Sagnibene said that the municipalities make a loan application and the department makes loans to assist them in their wastewater treatment. He stated that it started as a grant program and developed into a loan program to assist municipalities. Undersecretary Sagnibene said that since the inception of the program in 1990, the department had made 95 loans totaling \$472 million. Representative Schroder asked how the new DEQ secretary felt about this program and he wanted a comparison of the program to Mississippi and Alabama. Representative Schroder told the department that he would examine the operations of the department in the future to see if they were operating more efficiently.

Representative Cortez asked DEQ if they would streamline their operations enough so that they would not need additional state funds. Undersecretary Sagnibene and Deputy Appeaning said they would not request additional state general funds and they would work within their budget to complete their mission.

Subcommittee on Business Development

Report on the Department of Insurance

Chairman - Representative Gary Smith

Members - Lambert, Connick, Schroder, Cortez

The Department of Insurance includes the Administration program, Market Compliance program and the Patient's Compensation Fund Oversight Board.

Summary of Committee Meeting

The Appropriations Subcommittee on Business Development met on March 19, 2008 to hear testimony on the budget for the Department of Insurance. Paul Prejean, budget analyst for the House Fiscal Division, presented the budget for the department, including a review of the department's means of finance, significant budget increases for FY 08-09, significant budget decreases for FY 08-09, and a review of total funding for each office within the department.

Mr. Prejean discussed the budget adjustments related to the \$3.9 million net increase in additional overall funding in the department. The largest increase was in statutory dedications due to the transfer of the operational budget for the Patient's Compensation Oversight Board to the Department of Insurance from the Executive Department.

Lance Herrin of the Department of Insurance informed the committee that the department's funds are self-generated and that the department will collect approximately \$416 million for FY 08-09 in premiums and fees to be deposited in the State General Fund. Also discussed were premiums to homeowners and the status of Citizen's Property Insurance Corporation.

Questions

Chairman Smith asked if the premiums collected could be lowered for homeowners.

Commissioner James Donelon that there is a study in place to address this issue and will inform the committee of its findings.

Chairman Smith asked for clarification on the acquisitions of storage area networks.

Lance Herring explained that the department has a complete back-up off site so that the data files from computers could be saved and retrieved in case of a disaster

Representative Schroeder asked Commissioner Donelon whether legislation would be needed to

reduce interstate hazzard in order to help lower insurance costs.

Commissioner Donelon responded that there are too many railroad crossings in the state which are dangerous and that many deaths per year occur due to this.

Representative Shroeder noted that lawsuits impact the premiums paid by the insured drivers of Louisiana.

Commissioner Donelon acknowledged that lawsuits are indeed a reason that rates and premiums are high and noted that often times that is the result of the insurance adjuster under valuing a claim and forcing a claimant to go to court for indemnification.

Representative Fannin asked about \$100 million available last year to help attract new insurers to the state and if there was a balance remaining in that amount.

Commissioner Donelon said that the Commissioner of Administration would have to answer that question, but believes that there is \$5 million remaining.

Chairman Smith asked about the Citizen's Property Insurance Corporation and the \$1.25 billion shortfall.

Commissioner Donelon responded that the state is only burdened with actuarial support to Citizen's. Citizens charges premiums to insurers and issues bonds to make up the shortfall.

Chairman Smith thanked the department for appearing before the subcommittee.

Subcommittee on Business Development

Report on the Public Service Commission

Chairman - Representative Gary Smith

Members - Lambert, Connick, Schroder, Cortez

The Public Service Commission includes the Administration program, Support Services program Motor Carrier Registration program and District Offices.

Summary of Committee Meeting

The Appropriations Subcommittee on Business Development met on March 19, 2008 to hear testimony on the budget for the Public Service Commission. Paul Prejean, budget analyst for the House Fiscal Division, presented the budget for the department, including a review of the

department's means of finance, significant budget increases for FY 08-09, significant budget decreases for FY 08-09, and a review of total funding for each office within the department.

Mr. Prejean discussed the budget adjustments related to the increases and decreases to the overall funding in the department. The net effect was an overall decrease in the recommended budget. Secretary Lawrence St. Blanc spoke at length of the negative impact of losing the eleven positions recommended by the Division of Administration.

Questions

Chairman Smith asked what program would be affected by the loss of the eleven T.O.

Secretary St. Blanc responded that the positions would be cut from the Motor Carrier program.

Representative Schroder asked about audit practices of the PSC regarding the utility companies.

Secretary St. Blanc stated that the PSC audits various utility companies monthly and the cost of auditing is passed on to the consumer as a cost of doing business per regulatory rules.

Chairman Smith asked about the Do Not Call Program

Secretary St. Blanc praised the program and its effectiveness to curtail unwanted solicitations by telephone. He also mentioned that the PSC could use another person to help run the program due to the volume of calls and request regarding the program.

Chairman Smith asked how many cars the PSC maintains and how often they are replaced.

Secretary St. Blanc said that the PSC has thirty fleet vehicles and that the cars are used well past 100,000 miles of service.

Chairman Smith thanked the department for appearing before the subcommittee.

Subcommittee on Business Development

Report on the Department of Labor

Chairman - Representative Gary Smith

Members - Lambert, Connick, Schroder, Cortez

Summary of Committee Meeting

Mr. Tim Barfield, Secretary of Labor and his staff presented an overview of the Department of Labor's budget for FY 08-09. The department includes: the Office of Workforce Development including Employment and Training Programs; Workforce Investment Act; Career Solutions Centers; System Redesign; Incumbent Worker Training; Community Block Grant; Office of Unemployment Insurance; Service Delivery Structure; Unemployment Redesign and Office of Worker's Compensation. The Department of Labor provided the committee members a handout with in department details about each item listed above.

Eddriene Sylvester, House Fiscal Division Analyst, presented a budget overview which included a history of funding, current funding, and significant changes between FY 07-08 and the FY 08-09 Executive Budget. In addition, members were provided general information on the Department of Labor programs, mission, goals and objectives.

Executive staff from the Department of Labor were in attendance to answer questions. Rep. Schroder asked if the Office of Workforce Development budget was growing. Benny Soileau, Undersecretary stated the agency's budget was not growing because the agency had one-time expenses reduced from the budget. Rep. Cortez asked why salaries were increased for next fiscal year and related benefits were decreasing. The budget analyst explained that the decrease in related benefits is attributed to the group insurance rate declining by approximately 3 percent. The difference between discretionary and non-discretionary funding was discussed.

Rep. Schroder stated that each year when the Department of Labor comes before the committee he wants a progress report on performance and accountability of Workforce Development. Rep. Smith stated that he would like the department check on recruitment of Louisiana citizens for jobs who have left the state due to the hurricanes and recruitment of individuals in the state for jobs. He also encouraged the department to stop recruiting individuals from other states who did not previously live in Louisiana, and stop allowing employers to use illegal immigrants for jobs and use Louisiana citizens. He asked how the Labor Department will work with the Department of Economic Development to grow our current industries and bring in new ones.

Ms. Angelique LaCour provided public testimony on behalf of Small Business Owners. She stated that it is very hard for small business owners to survive when they can not find individuals who are sent to them who wants to work.

Rep. Connick suggested the Department of Labor should adjust their budget by six percent before the House Appropriations Committee approves. Mr. Soileau stated he would try hard.

Subcommittee on Business Development

Report on the Department of Economic Development

Summary of Committee Meeting

Mr. Stephen Moret, Secretary of Economic Development presented an overview of the Department of Economic Development. He stated that overall Louisiana's economy is doing well compared to the national average. The housing market in the state increased the first part of the year because consumers are avoiding sub-prime mortgage rates. However, many young graduates are leaving the state to seek employment. He stated the citizens of Louisiana have the opportunity to recreate the state but will have to address economic issues and changes will have to be identified to increase and improve state competitiveness. He stated that business recruitment will come from businesses that are already here in the state. In the budget for FY 08-09, new positions are in the budget to assist with a retention and expansion team to cultivate Louisiana's existing businesses. Ninety percent of businesses in the state are small businesses. The only way for these businesses to grow over a long term is to have new business in state and create new opportunities. In order for changes to be made, Mr. Moret stated to the committee that their support will be needed to partnership with others and cultivate regional opportunities.

Eddriene Sylvester, House Fiscal Division Analyst, presented a budget overview which included a history of funding, current funding, and significant changes between FY 07-08 and the FY 08-09 Executive Budget. In addition members were provided general information of the Department of Economic Development programs, mission, goals and objectives. House staff prepared several handouts for members: salary information of Economic Directors in the southern states and executive staff of the Department of Economic Development; tax credits on infrastructure projects and digital media tracking; Louisiana Economic Development (LED) Fund Balance; LED, Governor's Rapid Response, and Workforce Development and Training project activities, including the number of projects, investment, new jobs created and retained jobs; and Economic Development Award and Loan Programs.

Mr. Moret was in attendance to answer questions. Rep. Cortez asked the definition of a small business. A small business can be less than twenty-five employees and can be a business with less than five hundred employees. Chairman Fannin asked the department if they have the staff to answer questions when people call and need assistance on how to obtain a permit to start a business. Mr. Moret stated it depends on the issue. If the question is highly technical, the department may need expertise from others. Chairman Fannin stated that when businesses and industries come to the state, the State of Louisiana wants to send a positive picture to the industry. Rep. Lambert asked the department have they have identified areas of inefficiencies. Mr. Moret stated that he is doing a six month assessment of the department to determine where improvements can be made.

Appropriation Subcommittee on Business Development

Report on the Department of Environmental Quality, the Department of Insurance, the Public Service Commission, the Department of Labor, and the Department of Economic Development

SUBCOMMITTEE RECOMMENDATION

The goal of the subcommittees of the Appropriations Committee, the full committee, and the entire House, is to first act as good stewards of state taxpayer dollars by ensuring the most cost-efficient delivery of state services possible, while, at the same time, recognizing that "one-time" dollars should not be spent on recurring expenses.

In conclusion, after review of the above mentioned agency budgets, we the members of the Subcommittee on Business Development recommend the following adjustments to the FY 08-09 budgets:

<u>Department</u>	<u>Minimum Adjustment</u>	<u>Maximum Adjustment</u>
Environmental Quality	(\$500,000)	(\$2,401,222)
Economic Development	(\$500,000)	(\$1,876,624)

The Public Service Commission, the Department of Labor, and the Department of Insurance do not receive state general funds; therefore, they are not recommended for a reduction in this means of finance.

The minimum adjustment may be revised by the full Appropriations Committee. The amount of the revision will be determined at such time as the Revenue Estimating Conference meets and recognizes additional revenue for FY 08-09.

The Subcommittee on Business Development further recommends that the Department of Labor evaluate their policies and procedures in an effort to streamline their operations. The department shall provide a written report to the committee detailing procedures designed to produce efficiencies in the department's operations.

The Subcommittee on Business Development further recommends that the Department of Insurance's budget authority be reduced by \$189,003. This reduction shall be applied to the administrative program in the areas of travel, supplies, professional services, other charges and acquisitions.

The Subcommittee on Business Development further recommends that the Public Service Commission's budget authority be reduced by \$176,975. This reduction shall be applied to the administrative program in an effort to reduce bureaucracy and increase operational efficiencies within the department.

Appropriation Subcommittee on Business Development

Report on the Department of Environmental Quality, the Department of Insurance, the Public Service Commission, the Department of Labor, and the Department of Economic Development

ADDENDUM

FINAL ACTION OF APPROPRIATION SUBCOMMITTEE ON BUSINESS DEVELOPMENT

Chairman Gary Smith recommended, and the committee approved, the adoption of the report.